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## Current Support Brief

### THE ROLE OF CEMA IN THE DEVELOPMENT OF COOPERATION AMONG BLOC ELECTRONICS INDUSTRIES



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THE ROLE OF CEMA IN THE DEVELOPMENT  
OF COOPERATION AMONG BLOC ELECTRONICS INDUSTRIES

The tempo of the efforts of the Council of Mutual Economic Assistance (CEMA) toward implementing specialization in the production of electronics equipment among the European Satellites is increasing. Moreover, these efforts are eliciting a more appreciative response from industry spokesmen than heretofore. The current activity apparently foreshadows a more insistent program to coordinate Bloc production of electronics equipment, which in turn is part of a renewed over-all effort in CEMA to rationalize Bloc planning and production. The improved economic stature of the electronics industries in the Satellites, the more realistic and less exploitative approach by the USSR to the coordination of production in the Bloc, and the apprehension among Bloc countries caused by the vitality of the Common Market provide an atmosphere more conducive to CEMA action than before.

Under terms of a bilateral agreement made between Bulgaria and Hungary sometime before the middle of 1961, Hungary was to assist Bulgaria in establishing plants for the manufacture of radio sets and to withdraw from this area of production -- thus in effect concentrating on the production of microwave communications equipment, instruments, and electron tubes. 1/ The early reaction within Hungary to this pact was adverse because the Hungarians were unwilling to lose a domestic industry and because the Bulgarian radio sets offered for sale in Hungary were of poor quality. As a result, the terms of the assistance pact were allowed to lapse and Hungarian sets returned to the market.

This situation remained unchanged until the fall of 1962 when the matter was revived. 2/ Probably in an effort to make the old agreement more palatable to the Hungarians, a new element was added in their favor. Plants for the manufacture of television sets were to be set up in Hungary to replace the radio plants transferred to Bulgaria. Machinery to equip the television plants probably would come from CEMA countries other than Bulgaria, which has a very small capability in this area.

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Several reports have indicated that Hungary is to begin specializing in production of television sets when the new plants are established and that one or more of the Satellites is to give up this production in order that a single country may specialize. 3/ The demand for television sets in the Bloc, the substantial investment of the Satellites in this production, and the relatively large output of these sets in East Germany, Czechoslovakia, and Poland (each of which produces more television sets than Hungary at present) make it unlikely, however, that these Satellites will decrease their production significantly in the next few years -- in fact, there is no indication in national planning at the present time of such a possibility. Moreover, Hungarian industry spokesmen have continued to emphasize that their principal specialties will continue to be communications equipment, instruments, and electron tubes.

According to current plans, however, by 1965 East Germany will be the only Satellite to exceed Hungary in production of television sets. 4/ This situation suggests that Poland and Czechoslovakia plan to hold production increases in this area to a minimum in deference to Hungary. Moreover, if the planned rates of increase continue beyond 1965, Hungary will become a major Bloc exporter of this product.

The electronics industry of Czechoslovakia also has received the attention of CEMA. A project that came to fruition this year was the serial production of semiautomatic telephone exchanges. 5/ This project was coordinated from design to manufacture through CEMA channels. CEMA activity in Czechoslovakia, which has resulted in the removal of relatively unimportant Czechoslovak industries that would be of some assistance to the less developed Satellites (including the transfer of an instrument factory to Hungary and a battery plant to Poland) has at the same time stressed the need for Czechoslovak specialization on telephone switchboard equipment, tactical transceivers, television studio equipment, and electron tubes. 6/

The East German electronics industry occupies a tenuous position relative to the coordination of Bloc planning and production envisioned by CEMA. At one time this industry had both a broad technological capability and the largest annual output of electronics equipment in East Europe. In the past few years, however, the German position appears

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to have been eroded. Preliminary estimates indicate that the value of the current annual output of either the Czechoslovak or the Hungarian electronics industry (not to be confused with the over-all electrotechnical industry, which includes, in addition to the manufacture of electronic devices, production of electrical equipment, cables, and batteries) probably is as great as or greater than that of East Germany. The primary factor behind this change seems to be Soviet assistance, which has been more in evidence in the electronics industries of Czechoslovakia, Hungary, and Poland than in that of East Germany. The key to the Soviet neglect of the East German industry seems to have been the attrition of skilled personnel through defection to the West. This loss of manpower weighed heavily on the East German electronics industry and undermined whatever confidence the USSR might have had in its security and promise. Consequently, the coordination of the German industry with the other Satellite industries has not received the amount of attention one would expect considering its potential. In fact, the officials of the East German electronics industry feel that the coordination activities of CEMA have been, by and large, merely an excuse to exploit their research and development efforts. There have been very few agreements in CEMA concerning East German specialization in electronics. The East Germans approach this type of CEMA activity with suspicion, and there appears to be little effort within CEMA channels to encourage it. 7/ In the field of electronics, only the general categories of consumer entertainment equipment and instruments have been mentioned within CEMA as areas of German specialization. 8/

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